

UNIFIED SCHOOL DISTRICT NO. 342, MCLOUTH, KANSAS

FINANCIAL STATEMENTS
(with Independent Auditors' Report thereon)

For the Year Ended June 30, 2010

UNIFIED SCHOOL DISTRICT NO. 342, MCLOUTH, KANSAS
FINANCIAL STATEMENTS
Year ended June 30, 2010

TABLE OF CONTENTS

Independent Auditors' Report	1 - 2
STATEMENT 1	
Summary of cash receipts, expenditures and unencumbered cash	3
STATEMENT 2	
Summary of expenditures - actual and budget	4
STATEMENT 3	
Statement of cash receipts and expenditures - actual and budget	
General fund	5
Supplemental general fund	6
At risk (4 year olds) fund	7
At risk (K-12) fund	8
Capital outlay fund	9
Driver training fund	10
Extraordinary school program fund	11
Food service fund	12
Professional development fund	13
Special education fund	14
Vocational education fund	15
Gifts and grants fund	16
Textbook rental fund	17
KPERs contribution fund	18
Contingency reserve fund	19
Federal funds	20
Bond and interest fund	21
STATEMENT 4	
Statement of cash receipts and disbursements - actual	
Agency funds	22 - 23
STATEMENT 5	
Statement of cash receipts, expenditures and unencumbered cash - actual	
District activity funds	24
STATEMENT 6	
Statement of cash receipts and expenditures - actual	
Private purpose trust funds	25
STATEMENT 7	
Statement of cash receipts and expenditures - actual and budget	
Component unit - Recreation Commission fund	26
Notes to the financial statements	27 - 37
ADDITIONAL INFORMATION	
Schedule of expenditures of federal awards	38
Note to the schedule of expenditures of federal awards	39
COMPLIANCE SECTION	
Report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	40
Report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133	41
Schedule of findings and questioned costs	42 - 43
Summary schedule of prior audit findings	44 - 46



Kramer & Associates CPAs, LLC

Making the right move for your business

Tony Kramer, CPA
Joseph J. Wood, CPA
Deb Taylor, CPA
Megan Todd, CPA
Amy Schwinn, CPA
Sherrie Hodges, CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Unified School District No. 342,
McLouth, Kansas

We have audited the accompanying financial statements as listed in the Table of Contents of Unified School District No. 342, McLouth, Kansas, as of and for the year ended June 30, 2010. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative information has been derived from the District's financial statements for the year ended June 30, 2009 and, in our report dated November 4, 2009, we expressed an adverse opinion on the financial statements in accordance with generally accepted accounting principles and an unqualified opinion on the financial statements in accordance with the cash basis and budget laws of the State of Kansas (see Note 1).

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the *Kansas Municipal Audit Guide*, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described in Note 1, Unified School District No. 342, McLouth, Kansas, prepares its financial statements in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Unified School District No. 342, McLouth, Kansas or the changes in its financial position for the year ended June 30, 2010.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of Unified School District No. 342, McLouth, Kansas, as of June 30, 2010, and its cash receipts and expenditures, and budgetary comparisons, taken as a whole, for the year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2010 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Unified School District No. 342, McLouth, Kansas. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects, on the basis of accounting described in Note 1, in relation to the financial statements taken as a whole.

This report is intended solely for the information of the Board of Education and committees thereto, management, others within the entity, U.S. Department of Education, U.S. Department of Agriculture, the Kansas Division of Accounts and Reports, and the Kansas State Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

Kramer & Associates CPAs, L.L.C.

Kramer & Associates CPAs, LLC
Leavenworth, Kansas
November 8, 2010

UNIFIED SCHOOL DISTRICT NO. 342, MCLOUTH, KANSAS
SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH
YEAR ENDED JUNE 30, 2010

Funds	Beginning unencumbered cash balance	Prior year canceled encumbrances	Cash receipts	Expenditures	Ending unencumbered cash balance	Outstanding encumbrances and accounts payable	Ending cash balance
Governmental type funds:							
General funds:							
General	\$ (292,908)	\$ -	\$ 4,043,747	\$ 4,020,218	\$ (269,379)	\$ 67,924	\$ (201,455)
Supplemental general	(53,856)	-	1,163,974	1,155,600	(45,482)	90,188	44,706
Special revenue funds:							
At risk (4 year olds)	-	-	-	49,394	-	419	419
At risk (K-12)	-	-	249,500	249,500	-	4,247	4,247
Capital outlay	276,502	-	207,642	18,206	465,938	953	466,891
Driver training	6,302	-	5,701	4,780	7,223	100	7,323
Extraordinary school program	990	-	8,620	8,094	1,516	-	1,516
Food service	17,301	-	208,168	200,299	25,170	154	25,324
Professional development	422	-	3,796	4,218	-	120	120
Special education	275,663	-	850,252	823,387	302,528	132,901	435,429
Vocational education	-	-	85,660	85,660	-	-	-
Gifts and grants	17,938	-	8,269	3,759	22,448	20	22,468
Textbook rental	58,697	-	46,323	7,344	97,676	315	97,991
KPERS contribution	-	-	205,848	205,848	-	-	-
Contingency reserve	295,177	-	80,000	-	375,177	-	375,177
Federal funds	-	-	154,445	154,445	-	7,745	7,745
District activity funds	7,858	-	43,019	41,792	9,085	-	9,085
Debt service fund:							
Bond and interest	4,614	-	-	-	4,614	-	4,614
Private purpose trust funds:							
Wellman Memorial	21,288	-	300	300	21,288	-	21,288
Cook Scholarship	1,306	-	4	-	1,310	-	1,310
Campbell Scholarship	7,590	-	320	500	7,410	-	7,410
Edmonds Scholarship	90,142	-	2,191	4,000	88,333	-	88,333
Braksick Scholarship	103,026	-	7,262	1,000	109,288	-	109,288
Bogard Scholarship	9,506	-	397	500	9,403	-	9,403
Total primary government	847,558	-	7,424,832	7,038,844	1,233,546	305,086	1,538,632
Component unit:							
Recreation Commission	166,397	-	92,873	63,172	196,098	2,403	198,501
Total reporting entity	\$ 1,013,955	\$ -	\$ 7,517,705	\$ 7,102,016	\$ 1,429,644	\$ 307,489	\$ 1,737,133
(excluding agency funds)							
Composition of cash:							
Checking			Checking				\$ 1,194,611
Checking - activity accounts			Checking - activity accounts				38,576
Money market			Money market				201,379
Scholarship checking			Scholarship checking				13,412
Scholarship certificates of deposit			Scholarship certificates of deposit				223,620
Recreation Commission checking			Recreation Commission checking				1,764
Recreation Commission certificates of deposit			Recreation Commission certificates of deposit				93,262
Total cash			Total cash				1,766,624
Less agency funds			Less agency funds				(29,491)
Total reporting entity (excluding agency funds)			Total reporting entity (excluding agency funds)				\$ 1,737,133

The accompanying notes are an integral part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 342, MCLOUTH, KANSAS
SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
YEAR ENDED JUNE 30, 2010

Funds	Certified budget	Adjustment to comply with legal max	Adjustment for qualifying budget credits	Total budget for comparison	Expenditures chargeable to current year	Variance - over (under)
Governmental type funds:						
General fund	\$ 4,366,474	\$ (382,959)	\$ 36,703	\$ 4,020,218	\$ 4,020,218	\$ -
Supplemental general	\$ 1,155,600	\$ -	\$ -	\$ 1,155,600	\$ 1,155,600	\$ -
Special revenue funds:						
At risk (4 year olds)	\$ 60,414	\$ -	\$ -	\$ 60,414	\$ 49,394	\$ 11,020
At risk (K-12)	\$ 291,000	\$ -	\$ -	\$ 291,000	\$ 249,500	\$ 41,500
Capital Outlay	\$ 417,898	\$ -	\$ -	\$ 417,898	\$ 18,206	\$ 399,692
Driver training	\$ 10,802	\$ -	\$ -	\$ 10,802	\$ 4,780	\$ 6,022
Extraordinary school program	\$ 20,071	\$ -	\$ -	\$ 20,071	\$ 8,094	\$ 11,977
Food service	\$ 259,538	\$ -	\$ -	\$ 259,538	\$ 200,299	\$ 59,239
Professional development	\$ 16,022	\$ -	\$ -	\$ 16,022	\$ 4,218	\$ 11,804
Special education	\$ 952,269	\$ -	\$ 4,346	\$ 956,615	\$ 823,387	\$ 133,228
Vocational education	\$ 99,869	\$ -	\$ -	\$ 99,869	\$ 85,660	\$ 14,209
Gifts and grants	\$ 35,938	\$ -	\$ -	\$ 35,938	\$ 3,759	\$ 32,179
KPERS contribution	\$ 255,128	\$ -	\$ -	\$ 255,128	\$ 205,848	\$ 49,280
Federal funds	\$ 185,952	\$ -	\$ -	\$ 185,952	\$ 154,445	\$ 31,507
Debt service fund:						
Bond and interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Component unit:						
Recreation commission	\$ 235,274	\$ -	\$ -	\$ 235,274	\$ 63,172	\$ 172,102

The accompanying notes are an integral
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 342, MCLOUTH, KANSAS
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
 GENERAL FUND
 YEAR ENDED JUNE 30, 2010

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
Taxes and shared revenue:				
Ad valorem property - taxes in process	\$ 22,910	\$ 22,239	\$ 17,425	\$ 4,814
Ad valorem property - current taxes	477,234	468,414	452,038	16,376
Delinquent	18,128	22,519	12,188	10,331
State aid:				
Equalization aid	3,279,980	2,734,509	3,114,419	(379,910)
Special education services	653,028	569,033	579,570	(10,537)
Mineral production tax	1,481	468	972	(504)
Federal aid:				
ARRA stabilization	-	189,862	189,862	-
Reimbursed expenses	31,934	36,703	-	36,703
Total cash receipts	<u>4,484,695</u>	<u>4,043,747</u>	<u>\$ 4,366,474</u>	<u>\$ (322,727)</u>
Expenditures and transfers subject to budget:				
Instruction	2,084,263	1,770,340	\$ 1,978,945	\$ 208,605
Student support services	143,653	135,406	136,598	1,192
Instructional support staff	56,037	47,001	45,472	(1,529)
General administration	134,899	140,392	146,424	6,032
School administration	277,877	257,543	266,389	8,846
Central services	176,207	148,944	179,015	30,071
Operations and maintenance	318,488	289,460	231,495	(57,965)
Student transportation services	158,813	64,024	123,119	59,095
Food service operations	-	6,027	-	(6,027)
Transfers out	1,155,177	1,161,081	1,259,017	97,936
Adjustment to comply with legal max	-	-	(382,959)	(382,959)
Legal general fund budget	4,505,414	4,020,218	3,983,515	(36,703)
Adjustment for qualifying budget credits:				
Reimbursements	-	-	36,703	36,703
Total expenditures and transfers subject to budget	<u>4,505,414</u>	<u>4,020,218</u>	<u>\$ 4,020,218</u>	<u>\$ -</u>
Receipts over (under) expenditures	(20,719)	23,529		
Unencumbered cash, beginning of year	<u>(272,189)</u>	<u>(292,908)</u>		
Unencumbered cash, end of year	<u>\$ (292,908)</u>	<u>\$ (269,379)</u>		

The accompanying notes are an integral
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 342, MCLOUTH, KANSAS
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
 SUPPLEMENTAL GENERAL FUND
 YEAR ENDED JUNE 30, 2010

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
Taxes and shared revenue:				
Ad valorem property - taxes in process	\$ 20,929	\$ 22,086	\$ 20,479	\$ 1,607
Ad valorem property - current taxes	455,932	566,728	515,488	51,240
Delinquent	14,650	21,193	11,737	9,456
Motor vehicle	63,641	71,843	80,047	(8,204)
Recreational vehicle	1,361	1,472	1,770	(298)
State aid:				
Equalization aid	358,280	355,421	496,411	(140,990)
Federal aid:				
ARRA stabilization	—	125,231	—	125,231
Total cash receipts	914,793	1,163,974	\$ 1,125,932	\$ 38,042
Expenditures and transfers subject to budget:				
Instruction	263,546	304,895	\$ 267,612	\$ (37,283)
Student support services	10,144	28,053	26,400	(1,653)
Instructional support staff	10,283	12,746	5,846	(6,900)
General administration	48,134	80,854	44,861	(35,993)
School administration	33,568	34,427	34,860	433
Central services	376	2,083	250	(1,833)
Operations and maintenance	255,414	226,120	349,443	123,323
Student transportation services	54,376	115,554	84,800	(30,754)
Transfers out	274,159	350,868	341,528	(9,340)
Adjustment to comply with legal max	—	—	—	—
Legal supplemental general fund budget	950,000	1,155,600	1,155,600	—
Adjustment for qualifying budget credits:				
Reimbursements	—	—	—	—
Total expenditures and transfers subject to budget	950,000	1,155,600	\$ 1,155,600	\$ —
Receipts over (under) expenditures	(35,207)	8,374		
Unencumbered cash, beginning of year	(18,649)	(53,856)		
Unencumbered cash, end of year	\$ (53,856)	\$ (45,482)		

The accompanying notes are an integral
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 342, MCLOUTH, KANSAS
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
 AT RISK (4 YEAR OLDS) FUND
 YEAR ENDED JUNE 30, 2010

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
Transfers in:				
General fund .	\$ 53,196	\$ 49,394	\$ 60,414	\$ (11,020)
Total cash receipts	53,196	49,394	\$ 60,414	\$ (11,020)
Expenditures subject to budget:				
Instruction	53,196	42,024	\$ 53,729	\$ 11,705
Student transportation services	-	7,370	6,685	(685)
Adjustment for qualifying budget credits	-	-	-	-
Total expenditures subject to budget	53,196	49,394	\$ 60,414	\$ 11,020
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning of year	-	-		
Unencumbered cash, end of year	\$ -	\$ -		

The accompanying notes are an integral
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 342, MCLOUTH, KANSAS
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
 AT RISK (K-12) FUND
 YEAR ENDED JUNE 20, 2010

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
Miscellaneous	\$ -	\$ -	\$ 20,000	\$ (20,000)
Transfers in:				
General fund	244,009	249,500	271,000	(21,500)
Total cash receipts	244,009	249,500	\$ 291,000	\$ (41,500)
Expenditures subject to budget:				
Instruction	226,645	247,390	\$ 280,160	\$ 32,770
Student support services	15,000	-	-	-
Student transportation services	2,364	2,110	10,840	8,730
Adjustment for qualifying budget credits	-	-	-	-
Total expenditures subject to budget	244,009	249,500	\$ 291,000	\$ 41,500
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning of year	-	-		
Unencumbered cash, end of year	\$ -	\$ -		

The accompanying notes are an integral
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 342, MCLOUTH, KANSAS
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
 CAPITAL OUTLAY FUND
 YEAR ENDED JUNE 30, 2010

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
Taxes and shared revenue:				
Ad valorem property - taxes in process	\$ 5,131	\$ 5,136	\$ 4,684	\$ 452
Ad valorem property - current taxes	106,270	(1)	-	(1)
Delinquent	4,014	3,848	2,733	1,115
Motor vehicle	18,812	17,362	19,301	(1,939)
Recreational vehicle	409	356	427	(71)
State aid:				
Capital outlay	33,525	-	-	-
Investment income	4,503	4,313	-	4,313
Miscellaneous	65	3,626	-	3,626
Transfers in:				
General fund	-	173,002	115,600	57,402
Total cash receipts	<u>172,729</u>	<u>207,642</u>	<u>\$ 142,745</u>	<u>\$ 64,897</u>
Expenditures subject to budget:				
Operations and maintenance	349	7,500	\$ 44,906	\$ 37,406
Facilities acquisition and construction	7,770	10,706	245,000	234,294
Principal	84,893	-	87,634	87,634
Interest	43,098	-	40,358	40,358
Adjustment for qualifying budget credits	-	-	-	-
Total expenditures subject to budget	<u>136,110</u>	<u>18,206</u>	<u>\$ 417,898</u>	<u>\$ 399,692</u>
Receipts over (under) expenditures	36,619	189,436		
Unencumbered cash, beginning of year	<u>239,883</u>	<u>276,502</u>		
Unencumbered cash, end of year	<u>\$ 276,502</u>	<u>\$ 465,938</u>		

The accompanying notes are an integral
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 342, MCLOUTH, KANSAS
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
 DRIVER TRAINING FUND
 YEAR ENDED JUNE 30, 2010

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
State aid:				
Driver training	\$ 1,786	\$ 1,300	\$ 1,500	\$ (200)
Other revenue from local sources	3,198	4,401	3,000	1,401
Total cash receipts	4,984	5,701	\$ 4,500	\$ 1,201
Expenditures subject to budget:				
Instruction	8,329	4,361	\$ 10,070	\$ 5,709
Operations and maintenance	270	419	732	313
Adjustment for qualifying budget credits	-	-	-	-
Total expenditures subject to budget	8,599	4,780	\$ 10,802	\$ 6,022
Receipts over (under) expenditures	(3,615)	921		
Unencumbered cash, beginning of year	9,917	6,302		
Unencumbered cash, end of year	\$ 6,302	\$ 7,223		

The accompanying notes are an integral
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 342, MCLOUTH, KANSAS
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
 EXTRAORDINARY SCHOOL PROGRAM FUND
 YEAR ENDED JUNE 30, 2010

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
Charge for services	\$ 12,575	\$ 8,620	\$ 13,000	\$ (4,380)
Other revenue from local sources	-	-	7,000	(7,000)
Total cash receipts	12,575	8,620	\$ 20,000	\$ (11,380)
Expenditures subject to budget:				
Instruction	12,289	8,094	\$ 20,071	\$ 11,977
Adjustment for qualifying budget credits	-	-	-	-
Total expenditures subject to budget	12,289	8,094	\$ 20,071	\$ 11,977
Receipts over (under) expenditures	286	526		
Unencumbered cash, beginning of year	704	990		
Unencumbered cash, end of year	\$ 990	\$ 1,516		

The accompanying notes are an integral
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 342, MCLOUTH, KANSAS
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
 FOOD SERVICE FUND
 YEAR ENDED JUNE 30, 2010

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
Federal aid:				
National school lunch/breakfast program	\$ 99,482	\$ 103,007	\$ 98,949	\$ 4,058
State aid:				
School food assistance	3,096	2,809	3,168	(359)
Charges for services	110,348	94,661	114,654	(19,993)
Miscellaneous	14,086	7,691	25,466	(17,775)
Transfers in:				
Supplemental general fund	13,000	-	-	-
Total cash receipts	240,012	208,168	\$ 242,237	\$ (34,069)
Expenditures subject to budget:				
Operations and maintenance	576	534	\$ 700	\$ 166
Food service operations	236,831	199,765	258,838	59,073
Adjustment for qualifying budget credits	-	-	-	-
Total expenditures subject to budget	237,407	200,299	\$ 259,538	\$ 59,239
Receipts over (under) expenditures	2,605	7,869		
Unencumbered cash, beginning of year	14,696	17,301		
Unencumbered cash, end of year	\$ 17,301	\$ 25,170		

The accompanying notes are an integral
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 342, MCLOUTH, KANSAS
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
 PROFESSIONAL DEVELOPMENT FUND
 YEAR ENDED JUNE 30, 2010

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
State aid:				
Inservice aid	\$ 392	\$ -	\$ -	\$ -
Miscellaneous	23	95	600	(505)
Transfers in:				
General fund	-	32	-	32
Supplemental general fund	6,500	3,669	15,000	(11,331)
Total cash receipts	6,915	3,796	\$ 15,600	\$ (11,804)
Expenditures subject to budget:				
Instructional support staff	7,920	4,218	\$ 16,022	\$ 11,804
Adjustment for qualifying budget credits	-	-	-	-
Total expenditures subject to budget	7,920	4,218	\$ 16,022	\$ 11,804
Receipts over (under) expenditures	(1,005)	(422)		
Unencumbered cash, beginning of year	1,427	422		
Unencumbered cash, end of year	\$ 422	\$ -		

The accompanying notes are an integral
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 342, MCLOUTH, KANSAS
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
 SPECIAL EDUCATION FUND
 YEAR ENDED JUNE 30, 2010

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
Miscellaneous	\$ 127	\$ 214	\$ -	\$ 214
Transfers in:				
General fund	653,028	569,033	687,643	(118,610)
Supplemental general fund	254,659	276,659	276,659	-
Reimbursements	3,477	4,346	-	4,346
Total cash receipts	<u>911,291</u>	<u>850,252</u>	<u>\$ 964,302</u>	<u>\$ (114,050)</u>
Expenditures subject to budget:				
Instruction	801,761	758,871	\$ 750,689	\$ (8,182)
Vehicle operating services	86,960	64,516	201,580	137,064
Adjustment for qualifying budget credits	-	-	4,346	4,346
Total expenditures subject to budget	<u>888,721</u>	<u>823,387</u>	<u>\$ 956,615</u>	<u>\$ 133,228</u>
Receipts over (under) expenditures	22,570	26,865		
Unencumbered cash, beginning of year	<u>253,093</u>	<u>275,663</u>		
Unencumbered cash, end of year	<u>\$ 275,663</u>	<u>\$ 302,528</u>		

The accompanying notes are an integral
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 342, MCLOUTH, KANSAS
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
 VOCATIONAL EDUCATION FUND
 YEAR ENDED JUNE 30, 2010

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
Transfers in:				
General fund	\$ 89,869	\$ 40,120	\$ 40,000	\$ 120
Supplemental general fund	-	45,540	49,869	(4,329)
Total cash receipts	89,869	85,660	\$ 89,869	\$ (4,209)
Expenditures subject to budget:				
Instruction	89,869	85,660	\$ 99,869	\$ 14,209
Adjustment for qualifying budget credits	-	-	-	-
Total expenditures subject to budget	89,869	85,660	\$ 99,869	\$ 14,209
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning of year	-	-		
Unencumbered cash, end of year	\$ -	\$ -		

The accompanying notes are an integral
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 342, MCLOUTH, KANSAS
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
 GIFTS AND GRANTS FUND
 YEAR ENDED JUNE 30, 2010

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
Other revenue from local sources	\$ 15,881	\$ 8,269	\$ 15,000	\$ (6,731)
Miscellaneous	3,000	-	3,000	(3,000)
Total cash receipts	18,881	8,269	\$ 18,000	\$ (9,731)
Expenditures subject to budget:				
Instruction	24,355	3,759	\$ 35,938	\$ 32,179
Adjustment for qualifying budget credits	-	-	-	-
Total expenditures subject to budget	24,355	3,759	\$ 35,938	\$ 32,179
Receipts over (under) expenditures	(5,474)	4,510		
Unencumbered cash, beginning of year	23,412	17,938		
Unencumbered cash, end of year	\$ 17,938	\$ 22,448		

The accompanying notes are an integral
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 342, MCLOUTH, KANSAS
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL
 TEXTBOOK RENTAL FUND*
 YEAR ENDED JUNE 30, 2010

	Prior year actual	Current year actual
Cash receipts:		
Charge for services	\$ 17,256	\$ 21,323
Transfers in:		
Supplemental general fund	—	25,000
Total cash receipts	17,256	46,323
Expenditures:		
Instruction	20,464	7,344
Total expenditures	20,464	7,344
Receipts over (under) expenditures	(3,208)	38,979
Unencumbered cash, beginning of year	61,905	58,697
Unencumbered cash, end of year	\$ 58,697	\$ 97,676

* This fund is not required to be budgeted.

The accompanying notes are an integral
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 342, MCLOUTH, KANSAS
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
 KPERS CONTRIBUTION FUND
 YEAR ENDED JUNE 30, 2010

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
State aid:				
KPERS retirement contributions	\$ 218,058	\$ 205,848	\$ 255,128	\$ (49,280)
Total cash receipts	218,058	205,848	\$ 255,128	\$ (49,280)
Expenditures subject to budget:				
Instruction	143,885	137,814	\$ 163,027	\$ 25,213
Student support services	9,783	9,754	11,481	1,727
Instructional support staff	3,388	3,613	4,337	724
General administration	7,923	7,986	9,185	1,199
School administration	18,529	18,520	21,431	2,911
Central services	3,261	3,339	4,081	742
Operations and maintenance	15,114	11,318	19,135	7,817
Student transportation services	10,656	8,295	15,818	7,523
Employee benefits	5,519	5,209	6,633	1,424
Adjustment for qualifying budget credits	-	-	-	-
Total expenditures subject to budget	218,058	205,848	\$ 255,128	\$ 49,280
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning of year	-	-		
Unencumbered cash, end of year	\$ -	\$ -		

The accompanying notes are an integral
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 342, MCLOUTH, KANSAS
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL
 CONTINGENCY RESERVE FUND*
 YEAR ENDED JUNE 30, 2010

	Prior year actual	Current year actual
Cash receipts:		
Transfers in:		
General fund	\$ 115,075	\$ 80,000
Total cash receipts	115,075	80,000
Expenditures:		
Supplies, repairs, and equipment	-	-
Total expenditures	-	-
Receipts over (under) expenditures	115,075	80,000
Unencumbered cash, beginning of year	180,102	295,177
Unencumbered cash, end of year	\$ 295,177	\$ 375,177

* This fund is not required to be budgeted.

The accompanying notes are an integral
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 342, MCLOUTH, KANSAS
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
 FEDERAL FUNDS
 YEAR ENDED JUNE 30, 2010

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
Federal aid:				
Title I	\$ 61,392	\$ 96,692	\$ 97,045	\$ (353)
Title II	22,372	23,636	22,438	1,198
Drug free	1,501	1,470	1,469	1
Rural education achievement program	31,115	31,897	65,000	(33,103)
School preparedness	-	750	-	750
Total cash receipts	<u>116,380</u>	<u>154,445</u>	<u>\$ 185,952</u>	<u>\$ (31,507)</u>
Expenditures subject to budget:				
Instruction	82,831	120,157	\$ 120,172	\$ 15
Student support services	-	658	500	(158)
Instructional support staff	<u>33,549</u>	<u>33,630</u>	<u>65,280</u>	<u>31,650</u>
Total expenditures subject to budget	<u>116,380</u>	<u>154,445</u>	<u>\$ 185,952</u>	<u>\$ 31,507</u>
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning of year	<u>-</u>	<u>-</u>		
Unencumbered cash, end of year	<u>\$ -</u>	<u>\$ -</u>		

The accompanying notes are an integral
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 342, MCLOUTH, KANSAS
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
 BOND AND INTEREST FUND
 YEAR ENDED JUNE 30, 2010

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
Taxes and shared revenue:				
Delinquent	\$ 35	\$ -	\$ -	\$ -
Total cash receipts	35	-	-	-
Expenditures subject to budget:				
Principal	-	-	\$ -	\$ -
Interest	-	-	-	-
Fiscal charges	-	-	-	-
Adjustment for qualifying budget credits	-	-	-	-
Total expenditures subject to budget	-	-	\$ -	\$ -
Receipts over (under) expenditures	35	-		
Unencumbered cash, beginning of year	4,579	4,614		
Unencumbered cash, end of year	\$ 4,614	\$ 4,614		

The accompanying notes are an integral
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 342, MCLOUTH, KANSAS
 STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL
 AGENCY FUNDS
 Year ended June 30, 2010

	Beginning cash balance	Cash receipts	Cash disbursements	Ending cash balance
Student activity funds:				
ACTS	\$ 33	\$ —	\$ —	\$ 33
Art club	152	—	—	152
Band fund	5,294	5,395	5,476	5,213
Elementary reading club	1,337	1,375	2,060	652
CCCC	2,807	—	—	2,807
Chorus	157	—	—	157
Class of 2004	188	—	—	188
Class of 2005	303	—	—	303
Class of 2006	280	—	—	280
Class of 2007	759	—	—	759
Class of 2008	136	—	—	136
Class of 2009	605	—	300	305
Class of 2010	2,703	343	1,932	1,114
Class of 2011	2,010	1,252	3,019	243
Class of 2012	476	1,902	236	2,142
Class of 2013	530	1,587	1,124	993
Class of 2014	—	1,362	893	469
Class of 2015	133	—	—	133
Class of 2016	—	460	460	—
Elementary school student council	791	1,352	1,225	918
Entrepreneurship class	1,707	12,130	12,283	1,554
FCCLA	715	1,503	1,547	671
Foreign language	290	—	—	290
High school pep club	6	—	—	6
High school student council	2,203	5,472	5,748	1,927
High school cheerleaders	129	7,348	5,631	1,846
Middle school student council	107	836	924	19
Middle school pep club and cheerleaders	4,903	6,265	9,304	1,864
M-Club	24	1,385	1,385	24
National honor society	19	253	142	130
QPA	6	—	—	6
RIF	150	3	—	153
YADA	362	123	192	293
Safe prom	155	3,122	2,833	444
Football	642	4,124	4,138	628
Volleyball	253	1,836	1,904	185
Boys basketball	493	1,736	836	1,393
Softball	545	1,643	1,724	464
FCA	214	—	—	214
Baseball	364	398	650	112
Girls basketball	—	1,056	1,055	1
Total student activity funds	31,981	64,261	67,021	29,221

The accompanying notes are an integral
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 342, MCLOUTH, KANSAS
 STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL
 AGENCY FUNDS
 Year ended June 30, 2010

	Beginning cash balance	Cash receipts	Cash disbursements	Ending cash balance
Fees and user charges:				
Textbook	—	1,114	1,114	—
Yearbook	—	4,401	4,401	—
Industrial arts	—	745	745	—
PTO field trips	—	1,500	1,500	—
Miscellaneous	—	8,190	8,190	—
Total fees and user charges	—	15,950	15,950	—
Other agency funds:				
Sales tax	557	4,584	4,871	270
Subtotal other agency funds	557	4,584	4,871	270
Total agency fund	\$ 32,538	\$ 84,795	\$ 87,842	\$ 29,491

The accompanying notes are an integral
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 342, MCLOUTH, KANSAS
 STATEMENT OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH - ACTUAL
 DISTRICT ACTIVITY FUNDS
 Year ended June 30, 2010

	Beginning unencumbered cash balance	Cash receipts	Expenditures	Ending unencumbered cash balance	Outstanding encumbrances and accounts payable	Ending cash balance
District activity funds:						
Gate receipts	\$ 1	\$ 29,067	\$ 29,068	\$ -	\$ -	\$ -
Concessions	7,857	13,952	12,724	9,085	-	9,085
Total district activity funds	<u>\$ 7,858</u>	<u>\$ 43,019</u>	<u>\$ 41,792</u>	<u>\$ 9,085</u>	<u>\$ -</u>	<u>\$ 9,085</u>

The accompanying notes are an integral
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 342, MCLOUTH, KANSAS
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL
PRIVATE PURPOSE TRUST FUNDS*
YEAR ENDED JUNE 30, 2010

	Wellman Memorial	Cook Scholarship	Campbell Scholarship	Edmonds Scholarship	Braksick Scholarship	Bogard Scholarship	Totals
Cash receipts:							
Interest on idle funds	\$ 300	\$ 4	\$ 170	\$ 2,191	\$ 2,262	\$ 197	\$ 5,124
Other revenue from local source	—	—	150	—	5,000	200	5,350
Total cash receipts	300	4	320	2,191	7,262	397	10,474
Expenditures:							
Scholarships	300	—	500	4,000	1,000	500	6,300
Total expenditures	300	—	500	4,000	1,000	500	6,300
Receipts over (under) expenditures	—	4	(180)	(1,809)	6,262	(103)	4,174
Unencumbered cash, beginning of year	21,288	1,306	7,590	90,142	103,026	9,506	232,858
Unencumbered cash, end of year	\$ 21,288	\$ 1,310	\$ 7,410	\$ 88,333	\$ 109,288	\$ 9,403	\$ 237,032

* These funds are not required to be budgeted.

The accompanying notes are an integral
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 342, MCLOUTH, KANSAS
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
 COMPONENT UNIT - RECREATION COMMISSION FUND
 YEAR ENDED JUNE 30, 2010

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
Taxes and shared revenue:				
Ad valorem property - taxes in process	\$ 2,562	\$ 2,569	\$ 2,379	\$ 190
Ad valorem property - current taxes	53,112	52,086	50,697	1,389
Delinquent	1,918	2,431	1,367	1,064
Motor vehicle	9,401	8,673	9,639	(966)
Recreational vehicle	204	178	214	(36)
Interest on idle funds	2,947	1,786	-	1,786
Miscellaneous	27,574	25,150	15,000	10,150
Total cash receipts	97,718	92,873	\$ 79,296	\$ 13,577
Expenditures subject to budget:				
Operations and maintenance	1,057	2,903	\$ -	\$ (2,903)
Community service operations	102,578	60,269	235,274	175,005
Adjustment for qualifying budget credits	-	-	-	-
Total expenditures subject to budget	103,635	63,172	\$ 235,274	\$ 172,102
Receipts over (under) expenditures	(5,917)	29,701		
Unencumbered cash, beginning of year	172,314	166,397		
Unencumbered cash, end of year	\$ 166,397	\$ 196,098		

The accompanying notes are an integral
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 342, MCLOUTH, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
Year ended June 30, 2010

1. Summary of significant accounting policies

a. Reporting entity

Unified School District No. 342, McLouth, Kansas ("the District") is a municipal corporation governed by an elected seven-member board. These financial statements present Unified School District No. 342, McLouth (the primary government) and its component unit, the Recreation Commission. The Recreation Commission is included in the District's reporting entity because of the significance of its operational or financial relationship with the District.

1. Discretely presented component unit

The component unit's section of the financial statements, Statement 7, includes the financial data of the discretely presented component unit. This component unit is reported separately to emphasize that it is legally separate from the District. The governing body of this component unit is appointed by the District, the City of McLouth, and one member is appointed by the Commission itself.

a. Recreation commission

Unified School District No. 342 Recreation Commission oversees recreational activities. The recreation commission operates as a separate governing body, but the District levies the taxes for the recreation commission and the recreation commission has only the powers granted by statute, K.S.A. 12-1928. The recreation commission cannot purchase real property but can acquire real property by gift.

b. Reimbursed expenses

Certain expenditures are classified as reimbursed expenses. The purpose of these expenditures is payment for goods and services in which fees are collected and such expenditures are exempt from the budget law under K.S.A. 79-2934. The following expenditures are classified as reimbursed expenses for the year ended June 30, 2010:

General fund	\$ 36,703
Special education fund	\$ 4,346

Reimbursed expenses are defined as repayments of amounts remitted on behalf of another party. All reimbursed expenses shown in the financial statements meet the following criteria:

1. the related disbursement was made in the current year on behalf of the payee,
2. the item paid for was directly identifiable as having been used by or provided to the payee, and
3. the amount of the reimbursed expense was directly tied to the amount of the original cash disbursement.

c. Basis of accounting

1. Statutory basis of accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure is charged in the fund from which the transfer is made.

The District has adopted a resolution in accordance with K.S.A. 75-1120a (c) waiving the requirement for application of generally accepted accounting principles and allowing the District to use the statutory basis of accounting.

2. Departure from accounting principles generally accepted in the United States of America

The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expenses, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented.

Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles.

Capital assets that account for the land, buildings, and equipment owned by the District are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

d. Cash and investments

Cash consists of checking accounts and certificates of deposit. The certificates of deposit are carried at cost, which approximates market value.

Cash balances in all funds are considered in determining the amount to be invested and further, unless specifically designated, all investment income is credited to the capital outlay fund.

e. Inventories and prepaid expenses

Inventories and prepaid expenses which benefit future periods are recorded as an expenditure during the year of purchase, as required by state statutes.

f. Fund descriptions

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following types of funds comprise the financial activities of the District for the year ended June 30, 2010:

1. Governmental funds

- a. General fund - to account for all unrestricted resources except those required to be accounted for in another fund.
- b. Special revenue funds - to account for the proceeds of specific revenue sources (other than major capital projects) that are restricted by law or administrative action to expenditure for specified purposes.
- c. Debt service funds - to account for the accumulation of resources for and the payments of, interest and principal and related costs, on general long-term debt.

2. Fiduciary funds

- a. Trust and agency funds - to account for assets held by the District in a trustee capacity or as an agent for individuals, other governmental units, private organizations, and/or other funds. Agency funds are custodial in nature and do not involve measurement of operations. Private Purpose Trust Funds account for cash of which the principal may not be spent.

g. Ad Valorem Tax Revenues

The determination of assessed valuations and the collection of property taxes for all political subdivisions in the State of Kansas are the responsibility of the various counties. The County Appraiser annually determines assessed valuations on January 1 and the County Clerk spreads the annual assessment on the tax rolls. Property taxes are levied as of November 1 and become delinquent, with penalty, December 21. Payments of 50% are accepted through December 20, with the second 50% then being due on or before May 10 of the following year.

The County Treasurer is the tax collection agent for all taxing entities within the County. The initial distribution to the subdivisions, including the District, is on or before January 20 of the ensuing year. Additional amounts are distributed on four (4) subsequent dates throughout the calendar year.

h. Prior year partial comparative information

The financial statements include prior year partial comparative information. Such information does not include all of the information required for a presentation in conformity with the Kansas prescribed basis of accounting. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2009, from which such partial information was derived.

2. Stewardship, compliance, and accountability

a. Budgetary information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding year on or before August 1st.
2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on budget.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the District to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the statutory basis of accounting, in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the District for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

a. Budgetary information (continued)

A legal operating budget is not required for capital projects funds, fiduciary funds, permanent funds, and the following special revenue funds:

Textbook rental fund
Contingency Reserve fund
District Activity Funds

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the District.

b. Compliance with Kansas statutes

The General Fund showed negative ending unencumbered cash balances of \$269,379 and \$292,908 for the years ended June 30, 2010 and 2009. Additionally, the Supplemental General Fund showed negative ending unencumbered cash balances of \$45,482 and \$53,856 for the years ended June 30, 2010 and 2009. K.S.A. 10-1116a provides that under certain situations, the fund can end the year with a negative unencumbered cash balance and therefore, be exempt from the cash basis law of the State of Kansas (K.S.A. 10-1113). The District is not deemed to be in violation of the Kansas cash basis law for the year ending June 30, 2010.

See Note 12 for presentation of the General Fund and Supplemental General Fund under compliance with K.S.A. 72-6417(d) and K.S.A. 72-6434(d).

Management is aware of no other statutory violations for the period covered by the audit.

3. Deposits and investments

As of June 30, 2010, the District had no investments.

K.S.A. 9-1401 establishes the depositories which may be used by the District. The statute requires banks eligible to hold the District's funds have a main or branch bank in the county in which the District is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the bank to pledge securities for deposits in excess of FDIC coverage. The District has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the District's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The District has no investment policy that would further limit its investment choices.

Concentration of credit risk. State statutes place no limit on the amount the District may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk - deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require the District's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka. All deposits were legally secured at June 30, 2010.

3. Deposits and investments (continued)

At June 30, 2010, the District's carrying amount of deposits was \$1,766,624 and the bank balance was \$2,234,745. The bank balance was held by one bank, resulting in a concentration of credit risk. Of the bank balance, \$500,000 was covered by federal depository insurance, and the remaining \$1,734,745 was collateralized with securities held by the pledging financial institutions' agents in the District's name.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

4. Long-term debt

The District entered into a \$1,000,000 lease agreement on April 2, 2007 to finance the construction, extension, improvement, and equipping of an addition to the school building. See the following page for more information related to long-term debt.

4. Long-term debt (continued)

Changes in long-term liabilities for the District for the year ended June 30, 2010, were as follows:

Issue	Interest rate	Date of issue	Amount of issue	Date of final maturity	Balance beginning of year	Additions	Reductions /payments	Balance end of year	Interest paid
Capital leases:									
Construction lease	4.95%	04/02/2007	\$1,000,000	04/01/2017	\$ 795,503	\$ -	\$ (90,513)	\$ 704,990	\$ 37,479
Total long-term debt					\$ 795,503	\$ -	\$ (90,513)	\$ 704,990	\$ 37,479

Current maturities of long-term debt and interest for the next five years and in five year increments through maturity are as follows:

	Year ended June 30,								
	2011	2012	2013	2014	2015	2016-2020	2021-2025	2026-2030	Total
Principal:									
Capital lease:									
Construction lease	\$ 94,206	\$ 98,927	\$103,885	\$109,091	\$ 114,557	\$ 184,324	\$ -	\$ -	\$ 704,990
Total principal	94,206	98,927	103,885	109,091	114,557	184,324	-	-	704,990
Interest:									
Capital lease:									
Construction lease	33,785	29,064	24,107	18,901	13,434	8,661	-	-	127,952
Total interest	33,785	29,064	24,107	18,901	13,434	8,661	-	-	127,952
Total principal and interest payments	\$127,991	\$127,991	\$127,992	\$127,992	\$ 127,991	\$ 192,985	\$ -	\$ -	\$ 832,942

5. Interfund transfers

Operating transfers were as follows:

<u>From</u>	<u>To</u>	<u>Statutory Authority</u>	<u>Amount</u>
General Fund	At Risk (4 year olds)	K.S.A. 72-6428	\$ 49,394
General Fund	At Risk (K-12)	K.S.A. 72-6428	249,500
General Fund	Capital Outlay	K.S.A. 72-6428	173,002
General Fund	Professional Development	K.S.A. 72-6428	32
General Fund	Special Education	K.S.A. 72-6428	569,033
General Fund	Vocational Education	K.S.A. 72-6428	40,120
General Fund	Contingency Reserve	K.S.A. 72-6428	80,000
Total transfers from general fund			<u>1,161,081</u>
Supplemental			
General Fund	Professional Development	K.S.A. 72-6433	3,669
Supplemental			
General Fund	Special Education	K.S.A. 72-6433	276,659
Supplemental			
General Fund	Vocational Education	K.S.A. 72-6433	45,540
Supplemental			
General Fund	Textbook rental	K.S.A. 72-6433	25,000
Total transfers from supplemental general fund			<u>350,868</u>
Total interfund transfers			<u>\$ 1,511,949</u>

6. Commitments and contingencies

- a. Noncancelable operating leases - Copiers and related equipment are leased, requiring total annual payments of \$19,397.
- b. Future minimum rental payments required under the noncancelable operating lease as of June 30, 2010, are as follows:

2011	\$ 19,397
2012	11,756
2013	11,756
2014	11,756
Total	<u>\$ 54,665</u>

7. Defined benefit plan

1. Plan description

The District contributes to the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

7. Defined benefit plan (continued)

2. Funding policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. Member-employees' contributions are withheld by their employer and paid to KPERS according to the provisions of section 414 (h) of the Internal Revenue Code. The State of Kansas is required to contribute the remaining amount necessary to achieve the actuarially determined contribution rate. Kansas currently contributes an average of 7.97% of covered payroll for fiscal year 2009, and an average of 8.57% of covered payroll for fiscal year 2010.

These contribution requirements are established by KPERS and are periodically revised. Kansas' contributions to KPERS for all Kansas public school employees for the years ending June 30, 2010, 2009, and 2008 were \$248,468,186, \$242,277,363, and \$220,815,154, respectively, equal to the required contributions for each year.

8. Other post employment benefits

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the District makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the District under this program.

9. Compensated absences

The District allows certain employees to carryover some of their unused sick and vacation days from one year to the next. These are paid upon termination or retirement if not used.

The amount of sick and vacation pay available to employees for use during the fiscal year ending June 30, 2010 is \$7,999.

10. Risk management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which it carries commercial insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

11. Contingency

The District receives significant financial assistance from numerous federal and state governmental agencies in the form of grants and state pass-through aid. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial statements of the District.

12. Compliance with K.S.A. 72-6417(d) and K.S.A. 72-6434(d)

K.S.A. 72-6417(d) and K.S.A. 72-6434(d) require the school district to record any payment of general state aid that is due to be paid during the month of June and is paid to the school district after June 30, as a receipt for the school year ending on June 30. The following shows the revenue as required by these Statutes.

STATUTORY REVENUES AND EXPENDITURES - STATUTORY AND BUDGET
For the Year Ended June 30, 2010
GENERAL FUND

	Prior Year Statutory Transactions	Current year		
		Statutory Transactions	Budget	Variance - over (under)
Statutory revenues:				
Taxes and shared revenue:				
Ad valorem property - taxes in process	\$ 22,910	\$ 22,239	\$ 17,425	\$ 4,814
Ad valorem property - current taxes	477,234	468,414	452,038	16,376
Delinquent	18,128	22,519	12,188	10,331
State aid:				
Equalization aid	3,300,699	2,710,980	3,114,419	(403,439)
Special education services	653,028	569,033	579,570	(10,537)
Mineral production tax	1,481	468	972	(504)
Federal aid:				
ARRA stabilization	-	189,862	189,862	-
Reimbursed expenses	31,934	36,703	-	36,703
Total statutory revenues	4,505,414	4,020,218	\$ 4,366,474	\$ (346,256)
Expenditures:				
Instruction	2,084,263	1,770,340	\$ 1,978,945	\$ 208,605
Student support services	143,653	135,406	136,598	1,192
Instructional support staff	56,037	47,001	45,472	(1,529)
General administration	134,899	140,392	146,424	6,032
School administration	277,877	257,543	266,389	8,846
Central services	176,207	148,944	179,015	30,071
Operations and maintenance	318,488	289,460	231,495	(57,965)
Student transportation services	158,813	64,024	123,119	59,095
Food service operations	-	6,027	-	(6,027)
Transfers out	1,155,177	1,161,081	1,259,017	97,936
Adjustment to comply with legal max	-	-	(382,959)	(382,959)
Legal general fund budget	4,505,414	4,020,218	3,983,515	(36,703)
Adjustment for qualifying budget credits:				
Reimbursements	-	-	36,703	36,703
Total expenditures	4,505,414	4,020,218	\$ 4,020,218	\$ -
Statutory revenues over (under) expenditures	-	-		
Modified unencumbered cash, beginning of year	-	-		
Modified unencumbered cash, end of year	\$ -	\$ -		

12. Compliance with K.S.A. 72-6417(d) and K.S.A. 72-6434(d) (continued)

STATUTORY REVENUES AND EXPENDITURES - STATUTORY AND BUDGET
For the Year Ended June 30, 2010
SUPPLEMENTAL GENERAL FUND

	Prior Year Statutory Transactions	Current year		
		Statutory Transactions	Budget	Variance - over (under)
Statutory revenues:				
Taxes and shared revenue:				
Ad valorem property - taxes in process	\$ 20,929	\$ 22,086	\$ 20,479	\$ 1,607
Ad valorem property - current taxes	455,932	566,728	515,488	51,240
Delinquent	14,650	21,193	11,737	9,456
Motor vehicle	63,641	71,843	80,047	(8,204)
Recreational vehicle	1,361	1,472	1,770	(298)
State aid:				
Equalization aid	417,620	368,588	496,411	(127,823)
Federal aid:				
ARRA stabilization	—	125,231	—	125,231
Total statutory revenues	<u>974,133</u>	<u>1,177,141</u>	<u>\$ 1,125,932</u>	<u>\$ 51,209</u>
Expenditures:				
Instruction	263,546	304,895	\$ 267,612	\$ (37,283)
Student support services	10,144	28,053	26,400	(1,653)
Instructional support staff	10,283	12,746	5,846	(6,900)
General administration	48,134	80,854	44,861	(35,993)
School administration	33,568	34,427	34,860	433
Central services	376	2,083	250	(1,833)
Operations and maintenance	255,414	226,120	349,443	123,323
Student transportation services	54,376	115,554	84,800	(30,754)
Transfers out	274,159	350,868	341,528	(9,340)
Adjustment to comply with legal max	—	—	—	—
Legal supplemental general fund budget	950,000	1,155,600	1,155,600	—
Adjustment for qualifying budget credits	—	—	—	—
Total expenditures	<u>950,000</u>	<u>1,155,600</u>	<u>\$ 1,155,600</u>	<u>\$ —</u>
Statutory revenues over (under) expenditures	24,133	21,541		
Modified unencumbered cash, beginning of year	<u>5,535</u>	<u>29,668</u>		
Modified unencumbered cash, end of year	<u>\$ 29,668</u>	<u>\$ 51,209</u>		

ADDITIONAL INFORMATION

UNIFIED SCHOOL DISTRICT NO. 342, MCLOUTH, KANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS*

YEAR ENDED JUNE 30, 2010

Federal Grantor/ pass-through grantor/ program title (pass through grantor number)	Federal CFDA number	Program or award amount	Beginning unencumbered cash balance	Cash Receipts	Expenditures	Ending unencumbered cash balance	Outstanding encumbrances	Ending cash balance
U.S. Department of Education								
Direct: Rural Education Achievement Program	85.358	\$ 31,897	\$ -	\$ 31,897	\$ 31,897	\$ -	\$ 476	\$ 476
Passed through Kansas Department of Education:								
Title I, part A cluster:								
Title I grants to local education agencies (DO342 3532-3520 3520)	84.010	61,998	-	61,998	61,998	-	4,776	4,776
Title I grants to local education agencies, recovery act (DO342 3532-3525 3525)	84.389	34,694	-	34,694	34,694	-	-	-
Subtotal Title I, part A cluster		96,692	-	96,692	96,692	-	4,776	4,776
Safe and drug-free schools & communities (DO342 3795-3100 3100 1000)	84.186	1,470	-	1,470	1,470	-	471	471
School preparedness grant (DO342 3056-3200 U875)	84.302	750	-	750	750	-	750	750
Educational technology state grants cluster:								
Education technology state grants (DO342 3233-3040 3040 9962)	84.318	519	-	519	519	-	300	300
Education technology state grants, recovery act (DO342 3233-3044 3044 9964)	84.386	1,277	-	1,277	1,277	-	972	972
Subtotal Education technology state grants cluster		1,796	-	1,796	1,796	-	1,272	1,272
Improving teacher quality state grants (DO342 3526-3860 3860)	84.367	21,840	-	21,840	21,840	-	-	-
Statewide data systems (DO342 3592-3070 N083)	84.372	800	-	800	800	-	-	-
State fiscal stabilization fund - education state grants, recovery act (DO342 S394A090017)	84.394	315,093	-	315,093	315,093	-	-	-
Total U.S. Department of Education		470,338	-	470,338	470,338	-	7,745	7,745
U.S. Department of Agriculture								
Passed through Kansas Department of Education:								
Child nutrition cluster:								
School breakfast program (DO342 3529-3490 3490 9904)	10.553	16,522	-	16,522	16,522	-	-	-
National school lunch program (DO342 3530-3500 3500 9902/9903/9912)	10.555	85,985	-	85,985	85,985	-	-	-
Subtotal Child nutrition cluster		102,507	-	102,507	102,507	-	-	-
Team nutrition grants (DO342 3230-3020 R244)	10.574	500	-	500	500	-	-	-
Total U.S. Department of Agriculture		103,007	-	103,007	103,007	-	-	-
Total federal assistance		\$ 573,345	\$ -	\$ 573,345	\$ 573,345	\$ -	\$ 7,745	\$ 7,745

*Note 1 on page 39 is an integral part of this Schedule of Expenditures of Federal Awards.

See Independent Auditors' Report

UNIFIED SCHOOL DISTRICT NO. 342, MCLOUTH, KANSAS
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2010

1. Basis of accounting

a. Statutory basis of accounting

The statutory basis of accounting, as used in the preparation of this schedule of expenditures of federal awards, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure is charged in the fund from which the transfer is made.

The District has adopted a resolution in accordance with K.S.A. 75-1120a(c)(1) to waive reporting in accordance with accounting principles generally accepted in the United States of America, which allows the District to utilize the statutory basis of accounting.

b. Departure from accounting principles generally accepted in the United States of America

The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, and cash and unencumbered cash balances.

Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with accounting principles generally accepted in the United States of America.

COMPLIANCE SECTION



Kramer & Associates CPAs, LLC

Making the right move for your business

Tony Kramer, CPA
Joseph J. Wood, CPA
Deb Taylor, CPA
Megan Todd, CPA
Amy Schwinn, CPA
Sherrie Hodges, CPA

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Education
Unified School District No. 342,
McLouth, Kansas

We have audited the financial statements of Unified School District No. 342, McLouth, Kansas (the "District"), as of and for the year ended June 30, 2010, and have issued our report thereon dated November 8, 2010. Those financial statements were prepared on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Independent Auditors' Report expressed an unqualified opinion on the cash basis and budget law financial statements of Unified School District No. 342, McLouth, Kansas and an adverse opinion on the application of accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the *Kansas Municipal Audit Guide*, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting (2010-1 and 2010-2). A significant deficiency is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Education and committees thereto, management, others within the entity, U.S. Department of Education, U.S. Department of Agriculture, the Kansas Division of Accounts and Reports, and the Kansas State Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

KRAMER & ASSOCIATES CPAs, L.L.C.

Kramer & Associates CPAs, LLC
Leavenworth, Kansas
November 8, 2010



Kramer & Associates CPAs, LLC

Making the right move for your business

Tony Kramer, CPA
Joseph J. Wood, CPA
Deb Taylor, CPA
Megan Todd, CPA
Amy Schwinn, CPA
Sherrie Hodges, CPA

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education
Unified School District No. 342,
McLouth, Kansas
Compliance

We have audited the compliance of Unified School District No. 342, McLouth, Kansas (the "District") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express opinions on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the Kansas Municipal Audit Guide; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinions on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of the Board of Education and committees thereto, management, others within the entity, the U.S. Department of Education, the U.S. Department of Agriculture, the Kansas Division of Accounts and Reports, and the Kansas State Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

KRAMER & ASSOCIATES CPAs, L.L.C.

Kramer & Associates CPAs, LLC
Leavenworth, Kansas
November 8, 2010

UNIFIED SCHOOL DISTRICT NO. 342,
MCLOUTH, KANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2010

A. Summary of Audit Results

1. The Independent Auditors' Report expressed an unqualified opinion on the cash basis and budget law financial statements of Unified School District No. 342, McLouth, Kansas and an adverse opinion on the application of accounting principles generally accepted in the United States of America.
2. Two significant deficiencies disclosed during the audit of the financial statements is reported in the Report on Internal Control over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. The conditions are not reported as material weaknesses.
3. No instances of noncompliance material to the financial statements of Unified School District No. 342, McLouth, Kansas were disclosed during the audit.
4. No significant deficiencies in internal control over major federal awards programs disclosed during the audit are being reported. No deficiencies considered to be material weaknesses in internal control over major programs were identified.
5. The Independent Auditors' report on compliance for each major federal awards program for Unified School District No. 342, McLouth, Kansas, expresses an unqualified opinion on all major programs.
6. There were no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 in this schedule.
7. The programs tested as major programs included:

United States Department of Education

CFDA No.	Title
84.394	State Fiscal Stabilization Fund Education Grants, Recovery Funds

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Unified School District No. 342, McLouth, Kansas, was not determined to be a low-risk auditee.

B. Findings - Financial Statement Audit

2010-1 Segregation of duties

<i>Criteria</i>	No one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. Specifically, there are three critical duties that should be separated for internal control purposes: signing checks, maintaining fund accounting records, and reconciling the bank statements.
<i>Condition</i>	The District does not have complete segregation of duties with respect to financial transactions and reporting.
<i>Cause</i>	The District does not have the resources and it is not cost beneficial to hire the staff needed for a complete segregation of duties.
<i>Effect</i>	Errors in processing transactions and financial reporting and/or the misappropriation of assets might not be detected in a timely manner or might not be detected at all.
<i>Recommendation</i>	The District should take steps to have as many financial transactions as possible independently reviewed.
<i>Management's Response</i>	None.

UNIFIED SCHOOL DISTRICT NO. 342,
MCLOUTH, KANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2010

2010-2 Lack of Internal Controls over McLouth Recreation Commission transactions

<i>Criteria</i>	Commissioners accept the responsibility of safeguarding assets of the Recreation Commission and maintaining an effective control environment when accepting their position on the board.
<i>Condition</i>	We noted a general lack of segregation of duties relating to the accounting and financial reporting function. We further noted that only 20% of the checks written from the petty cash checking account contained two signatures.
<i>Cause</i>	The Recreation Commission has not established adequate internal controls and procedures. In addition, the controls and procedures that were established were not consistently followed.
<i>Effect</i>	Errors in processing transactions and financial reporting and/or misappropriation of assets could go undetected or might not be resolved in a timely manner.
<i>Recommendation</i>	We recommend that standard procedures for initiating and completing transactions be enforced and periodically monitored.
<i>Management's Response</i>	None.

C. Findings and questioned costs - Major Federal Awards Programs Audit

None.

UNIFIED SCHOOL DISTRICT NO. 342,
MCLOUTH, KANSAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year ended June 30, 2010

Findings - Financial Statement Audit

2009-1 Significant deficiency: Segregation of Duties

Criteria: No one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. Specifically, there are three critical duties that should be separated for internal control purposes: signing checks, maintaining fund accounting records, and reconciling the bank statements.

Condition: The District does not have complete segregation of duties with respect to financial transactions and reporting.

Cause: The District does not have the resources and it is not cost beneficial to hire the staff needed for a complete segregation of duties.

Effect: Errors in processing transactions and financial reporting and/or the misappropriation of assets might not be detected in a timely manner or might not be detected.

Recommendation: The District should take steps to have as many financial transactions as possible independently reviewed.

Status of Finding: The District has taken steps to have transactions independently reviewed. However, the condition still remains and is reported in the schedule of findings and questioned costs as finding number 2010-1.

2009-2: Significant deficiency: Sales tax paid

Criteria: The District is exempt from paying sales tax.

Condition: The District was found to be paying sales tax on purchases.

Cause: Employees are making purchases without proper documentation of tax exempt status.

Effect: District monies are not being used properly.

Recommendation: We recommended that the District review receipts for sales tax paid and seek reimbursements from vendors or employees for sales tax charges.

Status of Finding: We again noted instances where sales tax was paid on purchases and not reimbursed by the employee or the vendor.

UNIFIED SCHOOL DISTRICT NO. 342,
MCLOUTH, KANSAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year ended June 30, 2010

2009-3: Significant deficiency: Signature stamps

Criteria: The District's check signing procedures should provide effective control over the disbursement of funds.

Condition: We noted that procedures allow for signature stamps to be used on all checks and that the Board of Education president's signature stamp is held by the District Business Manager.

Cause: Authorized check signers are not always accessible when checks are to be disbursed.

Effect: Diminishes the integrity of the multiple approval process control over disbursements.

Recommendation: Signature stamps should not be used by someone other than the owner of the stamp. If this is not possible, then we recommend that someone other than the individual preparing the disbursements use the signature stamps.

Status of Finding: It was noted during the current audit that the Board President now holds has possession of his signature stamp.

2009-1: Significant deficiency: McLouth Recreation Commission

Criteria: Commissioners accept the responsibility of safeguarding assets of the Recreation Commission and maintaining an effective control environment when accepting their position on the board.

Condition: We noted a general lack of segregation of duties relating to the accounting and financial reporting function. We also noted that checks written on the Recreation Commission's petty cash checking account only required one signature instead of at least two; sales tax was being paid on purchases made from the petty cash checking account; many transactions completed without first being presented to the Commissioners for approval; inadequate documentation of basketball camp participants; receipts not written for all monies received; many disbursements being made through petty cash checking rather than the Recreation Commission's general checking account and that many of the disbursements made could not be substantiated with supporting documentation; Recreation Commission petty cash checking account ended the year with a negative balance while there was a significant amount of money that remained in a PayPal account.

Cause: Recreation commissioners had not established adequate internal controls and procedures and the controls and procedures that were established were not consistently followed.

Effect: Errors in processing transactions and financial reporting and/or the misappropriation of assets could go undetected in a timely manner.

Recommendation: We recommended that standard procedures for initiating and completing transactions be enforced and periodically monitored.

Status of Finding: We noted an improvement in controls over transactions, however a lack of segregation of duties remains. We noted a decrease in the amount of petty cash checks written on the petty cash checking account, but only 20% of the checks written from this account contained two signatures. Further improvements included the approval of invoices paid from the Commission's general checking account, increased documentation of basketball camp participants, and we noted an increase in the amount of receipts written for monies received.